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DOE FOR GEORGE PERSON, JAMES HART, AND GINA ERICKSON

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TAGS: [EPET](#) [ENRG](#) [PGOV](#) [RU](#) [QA](#)

SUBJECT: QATAR REVISITING THE IDEA OF A NATURAL GAS CARTEL?

Classified By: CDA Michael A. Ratney, reasons 1.4 (b) and (d).

¶1. (U) During a January 25 news conference at the World Economic Forum in Davos, Switzerland, Qatar's Deputy Prime Minister and Minister of Energy and Industry Abdullah Al-Attiyah said that gas-producing countries will discuss the idea of forming a "gas OPEC" at the next meeting of the Gas Exporting Countries Forum (GECF) to be held in June in Moscow. The GECF last met in Doha in April 2007 and agreed to form an "experts committee" to review issues related to the gas industry. At the time, Al-Attiyah said the committee would review issues such as pricing, marketing, infrastructure, and problems affecting both producers and consumers. A "high expert" will reportedly report his findings on the idea of a gas OPEC in Moscow, though Al-Attiyah noted to the press in Davos that forming such an organization would not be a simple matter because of the differences between gas and oil markets. He added that it was still too early to comment on the potential creation of a cartel.

¶2. (C) Several Embassy contacts in the energy industry echoed Al-Attiyah's skepticism over the inherent problems in forming a natural gas cartel. For example, the head of one major U.S. firm in Qatar told Econoff January 28 that Qatar is engaged in two simultaneous conversations. The first is a public one where Al-Attiyah and Qatar do not want to be seen "breaking ranks" with other gas producers and thereby "thrown out of the conversation." The second conversation is a private one with industry representatives and others where Al-Attiyah presents an "honest and credible realization" that the gas market could not achieve the same kind of commoditization as oil and, therefore, does not lend itself to the formation of a cartel. In private, Al-Attiyah appears to see a gas group as functioning more like a forum among producing countries and not one that would plan quotas or pricing.

¶3. (C) Separately, the director of liquefied natural gas (LNG) marketing for a major U.S. firm in Qatar also told Econoff January 28 that managing gas output is fundamentally different than that of oil given that set prices and volumes in LNG contracts can extend to 25 years. Moreover, such a cartel would ultimately run counter to Qatar's commercial LNG philosophy, which is based on set long-term contracts and re-directing excess supply as needed to capitalize on high prices in the spot market.

¶4. (C) COMMENT: It is likely that Qatar is feeling pressure from other gas producers to explore the idea of a gas cartel. It is hard to see how the formation of a true cartel would be in Qatar's economic interests given its contracting system for LNG and preferred role as a swing supplier. In the past, Al-Attiyah has stated publicly and explicitly that a natural gas cartel is not only unworkable, but antithetical to the interests of his country, which prides itself on keeping

customers happy even as they rake in billions. Al-Attiyah's recent comments most likely are yet another indication of Qatari officials' propensity to try and play all sides, ultimately pleasing none.

RATNEY